



OREGON HOUSING & COMMUNITY SERVICES
HUD CONTRACT ADMINISTRATION SECTION
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OHCS SECTION 8 MEMO

DATE: June 1, 2012
TO: Owners and Management Agents
FROM: Rhonda Crawford, Manager
HUD Contract Administration Section
Program Delivery Division
SUBJECT: **Program Information – Clarifications and Corrections**

OHCS received clarification of the following information that was sent to owners on May 24, 2012.

TRANSMITTAL: SECTION 8 RENEWAL POLICY GUIDE BOOK

On May 18, 2012, HUD issued a transmittal that makes changes to the Section 8 Renewal Policy Guide Book dated 1/15/08 (as revised 9-10-08 & 4-17-08). These changes are effective immediately unless noted otherwise in the Transmittal.

The Transmittal is included with this memo. Please update your Section 8 Renewal Policy Guide Book. The whole Transmittal should be reviewed by Owners and Agents with special attention paid to the Option 4 rent adjustment changes for Projects with multiyear contracts. Upon implementation, the following Option 4 changes will have a significant impact on budget-based rent adjustment requests:

1. The Owner will be required to use current debt service in budget-based rent increase requests.
2. Rent adjustments in a multiyear contract using a budget-based request will only be allowed if proposed rents do not exceed comparable market rents. A Rent Comparability Study (RCS), must be submitted, or have been submitted within the preceding 5 years, to show market comparable rents. The RCS will be good for 5 years and adjusted annually by the OCAF. This change is effective October 15, 2012 (150 days following the effective date of this Transmittal).
3. **New procedures are being implemented for an RCS that shows comparable market rents exceed 110 percent of the Fair Market Rent or Small Areas Fair Market Rent for**

metropolitan areas. This change is effective August 16, 2012 (90 days following the effective date of this Transmittal).

As with any change in policies, some clarification will be needed in order that all those involved have a clear understanding of their impact on owners and the decisions they are making regarding their specific properties.

If you have any questions, please let us know and we will pass them on to the HUD field office in Portland for a response.

Clarifications and Corrections:

- 1. An error between the effective date on the Transmittal page and the Handbook insert provided by HUD has been clarified. The effective date issued on the Handbook's page insert is the correct date. This clarification affects number 3 above (highlighted). The implementation date for the new procedures regarding Rent Comparability Studies will be October 15, 2012 (150 days following the effective date of the Transmittal).**
- 2. The Option 4 revisions will now require owners to use their "current debt service." The old rules that required use of "original debt service" will no longer apply in most cases. Owners making decisions with regards to upcoming contract renewals may want to revisit the question of which option, if any, is best for their business.**
- 3. As of May 18, 2012, Oregon Bond financed properties that were allowed to use their original debt service in a budget-based contract renewal will have to use the current debt service in any future budget-based rent adjustments. Owners and Agents should note that this could significantly affect rents for these properties, especially during an option 4 contract renewal.**

We expect more refinement and clarification to the changes and will work to provide those to owners and agents as soon as HUD provides them.

If you have any questions, please let us know.